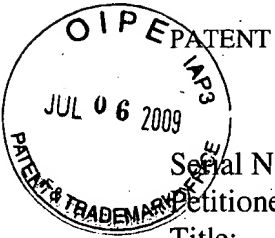


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Petitioner: Douglas G. Lowenstein, et al.

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Examiner: N. Subramanian

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PETITION TO VACATE RESTRICTION REQUIREMENT AND TO VACATE FINAL REJECTION

Mail Stop SPRE Shop 3690
Commissioner for Patents
P.O. Box 1450
Alexandria, VA 22313-1450

Petitioner seeks relief for the following issues:

- The Examiner's requirement for restriction, as made final after reconsideration in the Advisory Action of May 5, 2009, was illegal when issued. This is *not* a petition for rejoinder or for review of a validly-issued requirement. It is a petition to *vacate* an action of the examiner that was illegal when the examiner issued it. This is discussed in § I of this Petition, starting at page 4.
- Finality rejection, as reaffirmed after a request for reconsideration in the Examiner's paper of May 5, 2009 is premature for several reasons, as set forth in § II of this petition, starting at page 25.

The Office Action of May 5, 2009 should be vacated, and prosecution reopened with all claims under consideration.

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I. The Restriction Requirement Should be Vacated

The restriction requirement now pending violates a number of statutes and PTO procedures. These issues were squarely raised in Petitioner's papers of June 2008 and March 2009. The Examiner failed, in many cases, to answer all material traversed, and therefore apparently acquiesces in the various showings of error. The Examiner's maintaining his position is literally unexplained.

The restriction requirement was issued outside any legal boundary, and was void when issued. It should be vacated. The Examiner should be instructed that if he wishes to divide the application, he must do so in conformance with all provisions of the MPEP, and only those for which the PTO has obtained legal authority under all applicable laws. Petitioner believes that no such restriction can be issued, but would acquiesce to such if the PTO would simply examine this application under the law.

A. Procedural History

Between January 2002 and October 2007, several different examiners examined the application. As of October 2007, claims 1-118 had been examined, with no serious search burden, and no restriction. In every case where prior art issues were raised, the same primary reference was used against all claims. All art rejections were eventually overcome without amendment to the claims, because after many rounds of papers, it was finally agreed that the examiners had failed to consider the claim language in all Office Actions up to August 2006. During this time, the Office was forced to withdraw all art rejections, and twice to withdraw premature final rejection, primarily because the examiners had failed to comply with mandatory Office procedures.

In a telephone interview of January 2007, Examiner Chencinski stated that his instructions from his management were to deliberately delay allowance of applications.¹

Thus, as of late Spring 2007, this application had been pending *seven years*, and the delay was due almost entirely to the Patent Office.

The application was reassigned from Examiner Chencinski to Examiner Subramanian in early 2007.

In a series of telephone interviews in fall 2007, Examiner Subramanian indicated a number of personal preferences, for example that claims be written in shorter paragraphs and with certain grammatical constructs, that have nothing to do with any recognized standard for patentability. Nonetheless, in an effort to accommodate Examiner Subramanian's personal preferences and move the application forward, on October 10, 2007, Petitioner added new claims tailored to Examiner Subramanian's personal preferences. These new claims largely parallel the subject matter of existing claims that had already been examined and allowed over the art.

On January 10, 2008, the Examiner issued a restriction requirement. This requirement proposed to divide claims 1-118, even though they had already been examined multiple times, and allowed over the art.

On June 10, 2008, Petitioner traversed the restriction *solely* on grounds of "serious search burden." No issue of "independent and distinct" was traversed. The primary ground of traverse relies on these two points:

- Because the claims have already been searched extensively and allowed over the art, no further search is permitted, pursuant to MPEP § 704.01 and § 706.04 (a new examiner is to give full faith and credit to the search and action of the prior examiner, unless the new examiner makes a showing of "clear error");
- If no search is permitted, there can be no "serious burden of search," and therefore, restriction is improper under MPEP §§ 803(I)(B), 803.02, 806.01, 806.04(a)-(j), 808.01(a) and 808.02.
- A number of other issues were raised as well, which will be discussed below as they become relevant.

¹ See Summary of Interviews, filed Feb 26, 2007, ¶ 41, in the IFW at March 2, 2007, at entry "Transmittal to T.C.," 12 pages.

On October 3, 2008, Examiner Subramanian maintained the restriction requirement, but did not answer the precise issues traversed. Instead he shifted grounds. He made no showing of "clear error" in the previous examiners' decision not to restrict, he stated only that he "disagreed." (Examiner's paper of October 3, 2008, ¶ 10.) Examiner Subramanian made no response whatsoever to many of the particular points and grounds of traverse raised in Petitioner's June 2008 paper, or to support his restriction among claims 1-118; his analytical remarks were only directed to new claims 119-181. Examiner Subramanian was entirely silent on "serious search burden," his remarks were directed only at showing that the inventions are "independent and distinct," which was not in issue.

Instead, the Examiner's paper of October 3, 2008 introduces an entirely new ground, and does two remarkable things. First, Examiner Subramanian stated the following new grounds of restriction:

Also there would be a serious search and examination burden if restriction were not required because one or more of the following reasons apply: (a) the inventions have acquired a separate status in the art in view of their different classification; (b) the inventions have acquired a separate status in the art due to their recognized divergent subject matter; (c) the inventions require a different field of search (for example, searching different classes/subclasses or electronic resources, or employing different search queries); (d) the prior art applicable to one invention would not likely be applicable to another invention; (e) the inventions are likely to raise different non-prior art issues under 35 U.S.C. 101 and/or 35 U.S.C. 112, first paragraph.

Note that grounds (d) and (e) exist in no document that was published or in effect in October 2008. The Examiner's paper of October 3, 2008 likewise does not identify which of the five grounds the Examiner believed to be applicable; that was left entirely for Petitioner to guess; it merely reasserts that the inventions are "independent and distinct" (which is irrelevant to any issue pending). Nor does the Examiner's paper of October 3, 2008 identify facts that would support any of the five.

Second, the Examiner imposed a requirement to cancel the non-elected claims, apparently in an effort to force applicants to abandon the right to petition for rejoinder.

Petitioner traversed in March 2009, on a number of alternative grounds. Among the grounds are the following:

- No further search is required pursuant to MPEP § 704.01 and § 706.04, thus there can be no “serious search burden”
- The Examiner’s papers do not follow the instructions set forth in MPEP Chapter 800 or any other published document. This violates:
 - the requirements of the Administrative Procedure Act, 5 U.S.C. § 552, for publication
 - the Paperwork Reduction Act, which requires White House OMB clearance for any rule or change in procedures that changes the content, form, number or burden of papers to be submitted to the PTO
 - instructions from the Executive Office of the President to all federal agencies, to provide the public with written notice of written standards applied by the agency, and for agency employees not to depart from such published instructions

The Examiner issued the paper from which this petition arises on May 5, 2009.

Examiner Subramanian expresses that he “disagrees” with the MPEP, and that in his personal opinion (with no citation to any authority, and no attempt to explain his failure to follow MPEP § 704.01 and § 706.04) that he believes he must search the application again. On issue after issue, the May 5, 2009 paper fails to “answer all material traversed.”

This petition follows timely within two months on July 6, 2009 (July 5 was a Sunday).

B. This Restriction Issue is Petitionable Subject Matter and is Timely Presented

The issues as now pending were raised in the Examiner’s paper of October 2008.

Reconsideration was requested in Petitioner’s paper of March 2009, and the Examiner adhered to his position on May 5, 2009.

This petition is timely filed within two months after the Examiner’s denial of a request for reconsideration, dated May 5, 2009. Several of the grounds set forth below arise under statute, and may not be abrogated or limited by PTO rule. Others are covered by a statute that forbids the PTO from imposing any deadline. *E.g.*, 44 U.S.C. § 3512(c) (“The protection provided by [§ 3512] may be raised in the form of a complete defense, bar, or otherwise **at any time** during the agency administrative process”). Further, the PTO lacks authority to impose any requirement for form or deadline for this petition, because the PTO has never sought—let alone

obtained—clearance under the Paperwork Reduction Act for such a deadline. See § I.C.2 at page 11.

Finally, any time limit should be waived, because the Examiner acted untimely. The Examiner attempts to restrict claims that had, at the time of his first attempt at restriction, been pending together for *seven and one half years*. That extended pendency had been almost entirely due to *examiner error*,² or else management instructions to the examiners to deliberately delay applications.³ Restriction among the long-pending claims is simply unfair—Petitioner will lose *years* of patent term adjustment for the claims that are forced into a divisional application.

C. The Restriction Requirement and any Deadline for this Petition are Unenforceable Under the Paperwork Reduction Act

1. The Restriction Requirement Is Unenforceable

The Paperwork Reduction Act, 44 U.S.C. § 3501-3519,⁴ requires the PTO to request and obtain approval from the White House Office of Management and Budget before it may enforce any rule requiring any submission of information to the PTO. The procedural steps that the PTO must follow are set out in 44 U.S.C. § 3507 (“An agency shall not conduct or sponsor the collection of information unless in advance of the adoption or revision ... the agency has...” followed the steps for obtaining White House approval). 44 U.S.C. § 3512 provides that the PTO may not enforce any requirement, or penalize any applicant, if the PTO failed to complete those steps and obtain OMB approval.

The PTO has neither sought nor obtained White House approval for the revisions to restriction practice reflected in the Examiner’s October 3, 2008 paper, or for any other revisions to restriction practice, since at least 2003. The PTO’s most-recent request for approval under the Paperwork Reduction Act under ICR 0651-0031, covering all “patent processing” activities

² The § 103 issues to which the prior examiners had held tenaciously were eventually abandoned by the PTO with no significant amendment to the claims.

³ Interview Summary filed Feb. 26, 2007, ¶ 41.

⁴ The text of the Act is available at <http://www.archives.gov/federal-register/laws/paperwork-reduction/>, and the text of OMB’s implementing regulations for agencies (5 C.F.R. Part 1320, especially §§ 1320.5, 1320.8, 1320.9, and 1320.11) is at http://ecfr.gpoaccess.gov/cgi/t/text/text-idx?c=ecfr&tpl=/ecfrbrowse/Title05/5cfr1320_main_02.tpl.

between initial filing and issue,⁵ was filed with the Office of Management and Budget on September 26, 2007.⁶ This request does not seek approval for any paperwork relating to restriction requirements.⁷ Attorneys for Petitioner have reviewed all PTO Paperwork submissions to the White House OMB going back to 2003, and it appears that the PTO has *never* sought or obtained White House Paperwork approval for any revision of restriction practice since at least 2003. Apparently, the PTO has *never* sought Paperwork clearance for *any* aspect of restriction practice.

Further, no OMB control number is "displayed" on the Examiner's papers in the manner required by the Paperwork Reduction Act.

In such situations, the Paperwork Reduction Act provides as follows:

44 U.S.C. § 3512 Public protection

(a) Notwithstanding any other provision of law, no person shall be subject to any penalty for failing to comply with a collection of information that is subject to this subchapter if –

(1) the collection of information does not display a valid control number assigned by the Director in accordance with this subchapter; or

(2) the agency fails to inform the person who is to respond to the collection of information that such person is not required to respond to the collection of information unless it displays a valid control number.

(b) The protection provided by this section may be raised in the form of a complete defense, bar, or otherwise at any time during the agency administrative process or judicial action applicable thereto.

Regulations promulgated by the Executive Office of the President, and applicable to all federal agencies, provide as follows:⁸

5 C.F.R. § 1320.6 Public protection.

(c) Whenever an agency has imposed a collection of information as a means for proving or satisfying a condition for the receipt of a benefit or the avoidance of a penalty, and the collection of information does not display a currently valid OMB control number or inform the potential persons who are to respond to the collection of information, as prescribed in Sec. 1320.5(b), the agency shall not treat a person's failure to comply, in and of itself, as grounds for withholding the benefit or imposing the penalty. The agency

⁵ <http://www.reginfo.gov/public/do/PRAOMBHistory?ombControlNumber=0651-0031>

⁶ http://www.reginfo.gov/public/do/PRAViewICR?ref_nbr=200707-0651-005

⁷ <http://www.reginfo.gov/public/do/DownloadDocument?documentID=44055&version=0>

⁸ http://edocket.access.gpo.gov/cfr_2002/janqtr/pdf/5cfr1320.6.pdf

shall instead permit respondents to prove or satisfy the legal conditions in any other reasonable manner. ...

(d) Whenever a member of the public is protected from imposition of a penalty under this section for failure to comply with a collection of information, such penalty may not be imposed by an agency directly, by an agency through judicial process, or by any other person through administrative or judicial process.

The PTO neglected to take the steps it was required to take if it wishes to enforce restriction requirements. Thus, certainly no change to restriction practice since 2003 is enforceable, and apparently all of Chapters 800 and 37 C.F.R. § 1.141 *et seq.* are unenforceable.

Instead, the PTO is required by § 1320.6(c) to permit applicants to provide required information, that is, claims, "in any reasonable manner." The claims now pending are filed in the manner provided by statute, as examined by several previous examiners, and as suggested by Examiner Subramanian. The claims are presented in a "reasonable" form, and the PTO has no authority to impose further requirements for division.

If any restriction is adhered to in future or this ground of petition is denied or dismissed, the PTO must identify:

- Where and when the PTO published objective estimates of burden of restriction requirements, and petitions arising from restriction requirements, and sought public comment, as required by 44 U.S.C. § 3506(c)(2)(A) and (B).
- The OMB "valid control number" applicable to restriction requirements.
- The OMB ICR submission number in which that control number was applied for.
- The line item in the Information Collection Supporting Statement from that ICR applicable to restriction practice.
- An indication where the control number is "displayed" in the manner required by 44 U.S.C. § 3512(a)(1).
- Where the PTO informed the public that it is not required to comply with the amendments to restriction practice set forth in the Examiner's October 3, 2008 paper unless the PTO displays a valid control number, pursuant to 44 U.S.C. § 3512(a)(2).

44 U.S.C. §§ 3507 and 3512 and 5 C.F.R. § 1320.6 provide that if any one of these six questions is not answered, the PTO cannot enforce restriction practice as set forth in the Examiner's October 3, 2008 paper. Petitioner's attorney has diligently sought for any indication that the PTO ever even attempted to take the steps it was required to take if it wishes to enforce the

amended criteria for restriction. No indication has been found. Unless the PTO can provide answers to all six of the above questions, all restriction requirements must be withdrawn.

2. Any Requirement for Form or Deadline that Might Apply to This Petition is Likewise Unenforceable

The PTO has apparently never sought Paperwork clearance for petitions to review or vacate restriction requirements. Thus, any deadline or form that the PTO might wish to impose by rule is superseded by statute, and may not be enforced.

D. The Restriction Paper Is Illegal and Unenforceable Under Several Provisions of the Administrative Procedure Act and Under Instructions from the Executive Office of the President to Federal Agencies

1. The President's Final Bulletin for Agency Good Guidance Practices Places this Restriction Requirement Outside the Limits of Discretion of the PTO

Over two years ago, the Executive Office of the President issued the *Final Bulletin for Agency Good Guidance Practices*.⁹ The President's Bulletin instructs all federal agencies to observe these two principles:

- Guidance documents (such as the MPEP) do not state "law" applicable to applicants.¹⁰
- Guidance documents (such as the MPEP) are binding on agency personnel. When a guidance document, such as the MPEP, uses mandatory language, agency personnel have no authority to depart.¹¹ Any departure requires supervisory consent from relatively high up in the agency.

⁹ Executive Office of the President, "Final Bulletin for Agency Good Guidance Practices," OMB Memorandum M-07-07, <http://www.whitehouse.gov/omb/memoranda/fy2007/m07-07.pdf> (Jan. 18, 2007), 72 Fed. Reg. 3432 (Jan. 25, 2007); and "Implementation of Executive Order 13422 (amending Executive Order 12866) and the OMB Bulletin on Good Guidance Practices," OMB Memorandum M-07-13, <http://www.whitehouse.gov/omb/memoranda/fy2007/m07-13.pdf> (April 25, 2007).

¹⁰ The *Good Guidance Bulletin*, § II(2)(h) instructs as follows:

2. *Standard Elements*: Each significant guidance document shall:

h. Not include mandatory language such as "shall," "must," "required" or "requirement," unless the agency is using these words to describe a statutory or regulatory requirement, or the language is addressed to agency staff and will not foreclose agency consideration of positions advanced by affected private parties.

¹¹ The *Good Guidance Bulletin*, § II(1)(b) instructs as follows:

b. Agency employees should not depart from significant guidance documents without appropriate justification and supervisory concurrence.

The Department of Commerce required the PTO to apply this Presidential directive to the MPEP.¹²

2. Requirements of the Administrative Procedure Act

The *Good Guidance* Bulletin is largely a reminder to agencies of long-standing principles arising under the Administrative Procedure Act: documents issued without the rule making procedures required by 5 U.S.C. §§ 552 and 553 are not binding law against the public, but published agency documents are binding against agency personnel.

Agency actions are void – that is, they have no legal existence – when an agency fails to comply with the procedures set out in the agency’s own procedural handbook.¹³ An action taken in violation of “applicable departmental regulations” is “illegal and of no effect.”¹⁴ The Examiner has no discretion to depart from mandatory language in the MPEP.¹⁵

The Administrative Procedure Act requires that all rules be published, and that the public be given notice of the existence of the rule by notice in the Federal Register, before any such rule may be enforced against any party but the agency itself. 5 U.S.C. §§ 552(a)(1), 553(d). These provisions apply to all “rules,” whether those “rules” are embodied as formal regulations, or as informal rules in documents such as the MPEP. Further, “the USPTO must engage in notice and comment rule making when promulgating rules it is otherwise empowered to make.” *Tafas v. Dudas*, 541 F.Supp.2d 805, 812, 86 USPQ2d 1623, 1628 (E.D. Va. 2008), *rev’d on other grounds*, 559 F.3d 1345, 90 USPQ2d 1129 (Fed. Cir. 2009). For example, § 552 reads as follows:

¹² Department of Commerce, Office of the Chief Information Officer, Significant Guidance Documents Currently in Effect, http://ocio.os.doc.gov/PROD01_003151.

¹³ *Service v. Dulles*, 354 U.S. 363, 388-89 (1957) (vacating agency action issued in violation of guidelines stated in an unpublished agency manual).

¹⁴ *Vitarelli v. Seaton*, 359 U.S. 535, 545 (1959); *IMS, P.C. v Alvarez*, 129 F.3d 618, 621 (D.C. Cir. 1997) (it is a “well-settled rule that an agency’s failure to follow its own regulations is fatal to the deviant action”); *Dodson v. Dept. of the Army*, 988 F.2d 1199, 1204 (Fed. Cir. 1993) (once an agency promulgates regulations, it is bound to follow them).

¹⁵ *Reuters v. F.C.C.*, 781 F.2d 946, 950-51 (D.C. Cir. 1986) (“*Ad hoc* departures from [an agency’s] rules, even to achieve laudable aims, cannot be sanctioned”).

5 U.S.C. § 552. Public information; agency rules, opinions, orders, ...

(a)(1) Each agency shall separately state and currently publish **in the Federal Register** for the guidance of the public—

(B) statements of the general course and method by which its functions are channeled and determined, including the nature and requirements of all formal and informal procedures available;...

(C) rules of procedure. . .;

(E) each amendment, revision, or repeal of the foregoing.

Except to the extent that a person has actual and timely notice of the terms thereof, a person **may not in any manner be required to resort to, or be adversely affected by**, a matter required to be published in the Federal Register and not so published....

... A ... statement of policy, interpretation, staff manual or instruction that affects a member of the public may be relied on, used, or cited as precedent by an agency against a party other than an agency only if—

(i) it has been indexed and either made available or published as provided by this paragraph; or

(ii) the party has actual and timely notice of the terms thereof.

A Lexis search in April 2009 of all Federal Register notices for the last 15 years shows no applicable Federal Register notice that could give effect to the revisions to restriction practice set forth in the Examiner's October 3, 2008 paper. On the facts available today, it appears that the PTO "may not in any manner [] require [Petitioner] to resort to, or ... adversely affect[]" Petitioner via any provision of the MPEP or any other staff manual, statement of policy, or instruction issued since 1980. Unless the PTO can show either publication of a Federal Register notice or personal service on this applicant or attorney specifically drawing their attention to the specific provision the PTO wishes to enforce, the restriction provisions set forth in the Examiners' papers may not be enforced against Petitioner.

The Examiner was asked to identify a document that stated the law of restriction that he proposed to apply. (E.g., Reply of March 4, 2009, page 15). By his failure to answer all material traversed, Examiner Subramanian concedes that the PTO never authorized him to take the actions he did. In other words, the restriction requirements are not acts of the PTO that have any legal effect, they are frolics of a rogue employee, with no binding effect on either the PTO or Petitioner.

If the PTO wishes to modify restriction practice in the manner indicated in Examiner's October 3, 2008 paper, the APA requires that the PTO do one of two things: (a) show that it published an appropriate notice in the Federal Register, or (b) show that a person associated with this application personally had "actual and timely notice." The PTO did neither, and thus the restriction provisions may not be enforced.

E. The Previous Examiners' Determination that No Restriction is Warranted Must Be Given "Full Faith and Credit" – Examiner Subramanian Erred In Failing to Do So

The previous course of examination bars restriction now. MPEP § 704.01 gives the Director's instructions to examiners as follows:

PREVIOUS EXAMINER'S SEARCH

When an examiner is assigned to act on an application which has received one or more actions by some other examiner, full faith and credit should be given to the search and action of the previous examiner unless there is a clear error in the previous action or knowledge of other prior art. In general the second examiner should not take an entirely new approach to the application or attempt to reorient the point of view of the previous examiner, or make a new search in the mere hope of finding something. See MPEP § 719.05.

This is merely a statement of a long-standing requirement arising under the Administrative Procedure Act, that once an agency rules in favor of an applicant, the PTO cannot change its mind without explaining why the previous decision is "clearly erroneous."¹⁶

¹⁶ *Atchison, Topeka and Santa Fe Rwy. v. Wichita Board of Trade*, 412 U.S. 800, 805–08 (1973) ("Whatever the ground for the departure from prior norms, ..., it must be clearly set forth so that the reviewing court may understand the basis for the agency's action and so may judge the consistency of that action with the agency's mandate."); *Ramaprakash v. Federal Aviation Admin.*, 346 F.3d 1121, 1124 (D.C. Cir. 2003) (Roberts, J.) (an agency departing from its precedent must provide "a reasoned analysis indicating that prior policies and standards are being deliberately changed, not casually ignored."); *Ramaprakash*, 346 F.3d at 1125 ("An agency's failure to come to grips with conflicting precedent constitutes an inexcusable departure from the essential requirement for reasoned decision making."); *Int'l Ass'n. of Bridge, Structural and Ornamental Iron Workers, Local 111 v. National Labor Relations Bd.*, 792 F.2d 241, 247–48 (D.C. Cir. 1986) ("The purpose for the APA requirement that there be included ... 'conclusions, and the reasons or basis therefor ...' is to impose a discipline on the agency itself, assuring that it has undergone a process of reasoned decision making rather than haphazardly reached a result... [I]t was unquestionably incumbent on the [agency] to explain why it did not consider its decision a departure from the principles established in its prior cases, or why it considered a departure appropriate").

First, any restriction requirement requires a showing of “serious search burden.” MPEP §§ 803, 803.02, 806.04(a)-(j), 808.01(a) and 808.02 Such a showing cannot be made in this case for the following reasons:

- No further search is permitted, let alone required. At least claims 1-118 have been searched repeatedly by two previous examiners (Examiners Kanoff and Chencinski), and have been found to be allowable over all art located by those three examiners. (See Action of November 1, 2006, indicting that all claims are allowed over the art). Examiner Subramanian is required to give “full faith and credit” to this determination, and is not permitted to open a new search. MPEP §§ 704.01, 706.04. If no search is permitted, there cannot be a “serious” *search* burden, and thus no restriction can be supported.
- Examiners Kanoff and Chencinski also determined that the claims are closely enough related that no restriction was warranted. Examiner Subramanian is required to give “full faith and credit” to this action as well. MPEP §§ 704.01, 706.04.
- Every previous Action that applied art against the claims applied a single primary reference to all rejected claims. (Art rejections were subsequently withdrawn). This strongly suggests that the claims cannot be so divergent from each other that they require multiple burdensome searches.

If no “serious search burden” can be shown, no restriction is appropriate.

Examiner Subramanian himself concedes that there is no “clear error” in Examiner Kanoff’s and Chencinski’s action. Petitioner several times challenged Examiner Subramanian to identify any “clear error” in the actions of Examiners Kanoff and Chencinski. Examiner Subramanian was unable to do so. All he was able to say is that he “disagrees” with the previous examiners. (Examiner’s October 3, 2008 paper, page 8, line 17.) But “disagreement” is not “clear error.” The mere fact that new personnel substituted for old “might reach a different conclusion, does not mean that the earlier decision is ‘clearly erroneous.’” *Suel v. Sec’y of Health & Human Svcs.*, 192 F.3d 981, 985 (Fed. Cir. 1999). “[E]ven reasoned disagreement with such a finding does not, without more, establish that it is clearly erroneous.” *Champagne Louis Roederer S.A. v Delicato Vineyards*, 148 F.3d 1373, 1375, 47 USPQ2d 1459, 1461 (Fed. Cir. 1998). To maintain any restriction, Examiner Subramanian was required to show that Examiners Kanoff and Chencinski were so completely wrong as to be “clearly erroneous” and that no reasonable person could have done what they did. He did not do so, and thus Examiners Kanoff’s and Chencinski’s determinations of “no serious search burden” among claims 1-118 must be given “full faith and credit.”

Strikingly, the MPEP *twice* instructs that the prior searches are to be given “full faith and credit” and allowability over the art is not to be re-questioned unless the new examiner can demonstrate “clear error” or has personal knowledge of new art.¹⁷ MPEP §§ 704.01, 706.04. Examiner Subramanian says he “disagrees” with the MPEP, and grants himself the power to reopen search. (Advisory Action of May 5, 2009, box 11, lines 6-8). Prosecution cannot advance when an examiner says he “disagrees” with instructions from the PTO. When an examiner “disagrees” with the MPEP, it is impossible for an applicant and an examiner to know what to expect of each other, or to proceed efficiently. Examiner Subramanian acted illegally, and his paper of October 2008 must be vacated.

With no “serious search burden,” MPEP §§ 803, 803.02, 806.04(a)-(j), 808.01(a) and 808.02 require withdrawal of the restriction requirement.

1. The Groups are Misclassified

The title of this application, and the subject matter of all claims, suggests that all claims are most appropriately classified for search in 705/35:

35 Finance (e.g., banking, investment or credit): This subclass is indented under subclass 1. Subject matter drawn to a computerized arrangement for planning the disposition or use of funds or securities, or extension of credit.

The restriction requirement proposes to search claims 1-27, 31-52, 56-59 and 74-181 in subclass 705/36T. 705/36T is not available in the web page of “Class Definitions” for class 705 (<http://www.uspto.gov/go/classification/uspc705/defs705.htm>), however, it is Applicant’s understanding that 705/36T is directed to tax-reduction methods. However, almost none of the independent claims in Group I recite anything to do with taxes. *E.g.*, claims 2, 56, 74, 93, 102, 119, 130, 133, 148, 154, 158, 161, 172, and 179. Financial accounting and tax accounting are not the same thing. The Examiner’s explanation given in the interview reflects an incorrect understanding of the relationship between the disciplines. Classification in 705/36T is simply wrong.

¹⁷ In a telephone interview of May 30, 2008, Examiner Subramanian stated that he had no personal knowledge of any art that would require new consideration of patentability under § 102 and § 103. (Summary of Telephone Interview with Examiner Subramanian on May 30, 2008, filed June 10, 2008, ¶ 7).

Likewise, the requirement proposes to search claims 28-30 and 53-55 in 705/26. This is likewise an incorrect search classification, which will result in an inefficient search. The definition for 705/26 is as follows:

26 Electronic shopping (e.g., remote ordering): This subclass is indented under subclass 1. Subject matter drawn to a computerized arrangement which enables a purchaser to inspect or select from a plurality of different items, or effect a purchase of one or more items at a location geographically separated from the system user.

(1) Note. A remote shopping system is included in this subclass.

705/26 is not a well-chosen class for search. These claims recite no specialized “computer arrangement” for shopping. The features of these claims on which search should focus are the interlocking financing structures, not the “shopping” apparatus.

The requirement proposes to search claims 60-73 in 705/36T. The independent claim of this group, claim 60, is silent on “tax” issues. The classification is clearly incorrect.

Because the restriction requirement is so clearly faulty, no informed election can be made.

2. Restriction Among Groups I and III is Improper On Its Face

MPEP § 808.02 reads as follows:

Where, however, the classification is the same and the field of search is the same and there is no clear indication of separate future classification and field of search, no reasons exist for dividing among independent or related inventions.

The restriction requirement of January 10, 2008 concedes that Groups I and III are “related” (page 4, middle of the page). The requirement also proposes to classify Groups I and III to the same search class (Class 705, subclass 36T). Restriction between these two Groups violates MPEP § 808.02, and this restriction should be withdrawn.

F. The Restriction Requirement Relied on a Secret, Unpublished Rule, and was Therefore Illegal Under the Administrative Procedure Act and Constitutional Due Process

To Petitioner’s knowledge, “art applicable to one invention may not be applicable to another” and “different non-prior art issues under 35 U.S.C. 101 and/or 35 U.S.C. 112 , first paragraph” (set forth as items (d) and (e) in paragraph 10 of the October 3, 2008 Office Action justifying restriction) are nowhere authorized as a basis for restriction in any document timely

published in the manner required for enforceability, or as an alternative to “undue burden of *search*.” Thus, the grounds set forth in the Examiner’s October 3, 2008 paper is forbidden by MPEP § 808.02.

The Examiner’s paper of October 3, 2008 stated a restriction requirement in terms that are not stated in the MPEP. (Examiner’s paper of October 3, 2008, at ¶ 10). Petitioner noted the deviation from MPEP procedures, and requested that the Examiner identify any document having force of law that stated the restriction rule applied in the Examiner’s paper of October 3, 2008. (Reply of March 4, 2009, at pages 14-17, esp. p. 17). The Advisory Action of May 5, 2009 totally ignores the issue—there is a complete failure to Answer All Material Traversed. No document was identified. From all that appears in the record as of March 2009, Examiner Subramanian believes he has the power to make up the law out of thin air, or ignore provisions of the MPEP, with no underlying document for support.

This violates two laws. **First**, the Administrative Procedure Act provides that unpublished rules may not be enforced against the public. 5 U.S.C. § 552(a) (set forth in relevant part in § I.D.2 at page 13). Agencies may only enforce rules that are published in way that gives the public an opportunity to comply with them.

Second, the District of Columbia Court recently explained that federal agencies violated Constitutional Due Process if they rely on unwritten or unpublished rules:

If Due Process is to mean anything, it is a fundamental guarantee that stakeholders are provided both sufficient notice and *fair procedures* when governmental discretion mandates the abrogation of their rights or privileges. The central purpose of the Due Process clause is to ensure the *accountability* of the government and its administrative agencies to its citizenry: while discretion is certainly permitted, *administrators must* provide a public framework for principled decision-making and *create clear boundaries for that discretion*. “Courts should require administrative officers to *articulate the standards and principles that govern their discretionary decisions in as much detail as possible*.” ... Due Process is best achieved when the integrity of the administrative process is maintained through a framework of *publicly available rules and guidelines* that provide an opportunity for comment and criticism. The idea that an administrative agency must provide a reasoned explanation using *preordained standards* serves a threefold purpose:

[1] enabling the court to give proper review to the administrative determination;
[2] helping to keep the administrative agency within proper authority and discretion, as well as helping to *avoid and prevent arbitrary, discriminatory, and irrational action by the agency*; and [3] informing the aggrieved person of the grounds of the administrative action so that *he can plan his course of action* ...

... Due Process **requires written standards whose availability provides notice to the interested public.** See, e.g., *White v. Roughton*, 530 F.2d 750, 754 (7th Cir.1976) (state welfare program's use of **unwritten personal standards** of eligibility struck down because "fair and consistent" application of eligibility requirements mandates "**written standards and regulations**"); *Holmes v. New York City Housing Auth.*, 398 F.2d 262, 265 (2d Cir.1968) ("[d]ue process requires that selections among applications [in a housing program] be made in accordance with **ascertainable standards**"); *Martinez v. Ibarra*, 759 F.Supp. 664, 668 (D.Colo.1991) (due process denied when the procedure for reviewing Medicaid application "is never articulated in clear, **written standards**" ...); *Baker-Chaput v. Cammett*, 406 F.Supp. 1134, 1140 (D.N.H.1976) ("[T]he establishment of **written, objective, and ascertainable standards** is an elementary and intrinsic part of due process.").

The D.C. Court of Appeals--in three major decisions--also has recognized the need for ascertainable, **written standards** in benefits programs and government decision-making. In *Miller v. District of Columbia Bd. of Appeals & Review*, 294 A.2d 365 (1972), the court highlighted "the danger of arbitrary administrative action based upon **unarticulated and unannounced standards.**" The court warned that "unless there are some standards relating the prior conduct of an applicant to the *particular* ... activity for which he seeks a license [to sell costume jewelry], the power to deny a license inevitably becomes an **arbitrary, and therefore unlawful, exercise of judgment by one official....**"...

Lightfoot v. District of Columbia, 339 F.Supp.2d 78, 88-89 (D.D.C. 2004) (emphasis added, footnotes, quotations and citations omitted).

Beyond the pure legal principles, there is a very practical reason requiring publication. If any such legal principle exists, the principle is subject to conditions precedent, exceptions, attendant circumstances, context, or similar limitations. Without some reasonably precise, published, written statement of the legal principle, no applicant can determine whether the facts of a particular application fall within the legal principle thought to apply, and no applicant can amend the application in a way that precisely meets the legal principle. Perhaps electing is the best way to comply, perhaps claim amendments, or perhaps the Examiner's statement of the law is wrong, and no action is required at all. Without a written document, it is impossible for an applicant to identify the best way to comply to advance prosecution.

The restriction requirement as now pending is illegal for two reasons, and must be withdrawn.

First, it relies on a statement of law that was not timely published, and still has not been published with the procedures necessary if the PTO wishes to enforce it against applicants. Any restriction that states grounds (d) and (e) must be withdrawn.

Second, Petitioner squarely raised this issue and requested identification of a document stating the “(d) art applicable to one invention would not likely be applicable to the other” or “(e) different non-prior art issues under 35 U.S.C. 101 and/or 35 U.S.C. 112, first paragraph” tests for restriction. (Reply of arch 4, 2009, p. 17). Examiner Subramanian failed to “Answer All Material Traversed.” This not only violates MPEP § 707.07(f), it deprives Petitioner of any reasonable way to comply in the best way, and the requirement lapsed because of the failure to “answer all material traversed.” The restriction requirement must be vacated, to reset the clock and give both Examiner Subramanian and Petitioner an opportunity to comply with the law.

If any restriction is permitted to survive this Petition, the PTO must:

- Identify a document that was timely published and available to the public as of the filing date of the application (if claims 1-118 are to be divided), or, in the alternative, the date of the last amendment to the claims (if only claims 119-181 are to be restricted—the addition of the claims is the factor that Examiner Subramanian relies on in his restriction).
- Identify where the PTO *timely* complied with these legal requirements for the restriction requirement as stated in the Examiner’s paper of October 3, 2008:
 - How the document identified in the previous-bullet point complies with policy stated in the Foreword of the MPEP, “Orders and Notices still in force which relate to the subject matter included in this Manual are incorporated in the text. Orders and Notices, or portions thereof, relating to the examiners’ duties and functions which have been omitted or not incorporated in the text may be considered obsolete.”
 - Where the PTO published the provision as required by the Administrative Procedure Act, including a notice in the Federal Register, as required by 5 U.S.C. § 552(a).
 - The ICR submission number in which the PTO sought Paperwork Reduction Act clearance under 44 U.S.C. § 3506 and § 3507 (steps the PTO was required to take before it may impose paperwork burdens on the public).
 - Where the PTO complied with the President’s *Good Guidance* Bulletin, § IV (draft of economically significant guidance document must be vetted by public notice and comment).
- Show that that publication occurred sufficiently before July 2000 or October 3, 2008, and with sufficient form and supporting documentation, to comply with the various laws listed above.

Unless the PTO can show where all these requirements of law were complied with (or shows that the requirement is inapplicable), the restriction must be vacated.

G. The Restriction is an Illegal Attempt at Retroactive Rulemaking

The PTO lacks authority to change the rules in the middle of the game. The Supreme Court explained the general principle:

Retroactivity is not favored in the law. ... a statutory grant of legislative rulemaking authority will not, as a general matter, be understood to encompass the power to promulgate retroactive rules unless that power is conveyed by Congress in express terms. See *Brimstone R. Co. v. United States*, 276 U.S. 104, 122 (1928) (“The power to require readjustments for the past is drastic. It ... ought not to be extended so as to permit unreasonably harsh action without very plain words”). Even where some substantial justification for retroactive rulemaking is presented, courts should be reluctant to find such authority absent an express statutory grant.

Bowen v. Georgetown University Hosp., 488 U.S. 204, 208-09 (1988); *Leland v. Fed. Ins. Admin.*, 934 F.2d 524, 527 (4th Cir. 1991).¹⁸ An agency violates the proscription against retroactive rule making when “the new provision attaches new legal consequences to events completed before its enactment.” *Landgraf v. USI Film Products*, 511 U.S. 244, 269 n.23 (1994).

Congress has not granted the PTO any retroactive rulemaking powers. See 35 U.S.C. § 2(b)(2).

A regulation is retroactive if “it would impair rights a party possessed when he acted . . . or impose new duties with respect to transactions already completed.” *Landgraf*, 511 U.S. at 280. Here, the restriction requirement is retroactive in both respects. First, it “imposed new duties” as to claims 1-118 that did not exist before Examiner Subramanian inherited the case, and could not have been known to Petitioner when claims 119-181 were added as an attempt to meet Examiner Subramanian’s non-statutory preferences for claim form. Thus, Examiner Subramanian’s new restriction requirement “impairs rights” that Petitioner had when claims 119-181 were added. Second, Examiner Subramanian states a requirement to cancel claims in response to a restriction requirement. This is a new duty, and incompatible with 37 C.F.R. § 1.144, which permits claims to remain pending until allowance.

This application was filed in July 7, 2000 and met the standards for avoiding restriction at that time. Had the rules the PTO now seeks to impose been in effect at that time, the application

¹⁸ See *Martin v. Hadix*, 527 U.S. 343, 359 (1999) makes clear that concerns about retroactivity are fully applicable to procedural rules. (quoting *Landgraf*, 511 U.S. at 275 n. 29); see also *Brown v. Angelone*, 150 F.3d 370, 373 (4th Cir. 1998) (citing *Landgraf*).

would have been structured differently, or filed as several parallel applications, in order to prevent loss of patent term adjustment that occurs when divisional applications are filed.

Here, there can be no question that the restriction provisions imposed in the Examiner's October 3, 2008 paper change the legal consequences—particularly the availability of patent term extension to compensate for the Office's already extensive delays—of the decision made to file the claims in a single application rather than in a voluntarily-divided set of applications.

The Patent Office must apply restriction practice as it existed in July 7, 2000. Petitioner believes that no restriction can be raised under that standard, but the PTO is welcome to consider the matter. But applying new standards retroactively is simply illegal.

Because the restriction requirement applies a new standard retroactively, it must be vacated. If any restriction is to be raised against claims 1-118, it must be raised on the standards articulated in the MPEP as of July 2000 (the filing date for the application), to avoid retroactivity concerns.

H. The Failure to Provide an Identification of the Grounds for Restriction and the Facts Supporting that Ground Violated the MPEP and the Administrative Procedure Act

MPEP § 808.02 requires that the examiner identify the grounds for restriction, and then provide a discussion of facts or examples to support the showing. This is merely an elaboration of the Administrative Procedure Act, which requires that all written agency decisions be supported by a written statement of grounds that identifies the specific legal standard relied on, the facts that are relevant to the decision, the evidence that supports any fact or inference, and a sufficient statement of the application of the law to the facts to apprise a party of the agency's basis for decision.¹⁹ The agency's written decision must be sufficiently detailed to ensure that

¹⁹ *Brown v. Apfel*, 11 Fed.Appx. 58, 59–60 (4th Cir. Mar. 29, 2001) (Social Security decision vacated when it failed to identify the evidence, inferences therefrom, or legal standards that were relied on in arriving at a decision); *Cook v. Heckler*, 783 F.2d 1168, 1172–73 (4th Cir. 1986) (vacating Social Security decision when the ALJ merely provided a list of possible facts, and referred to a list of possible legal grounds, without identifying which particular grounds or facts applied, and failed to provide any discussion applying the law to the facts).

the agency gives careful consideration of the issues, gives parties the opportunity to apprise the agency of any errors, and facilitates judicial review.²⁰

Third, MPEP § 803(I)(B), § 803(II) ¶ 4, and § 806.01 requires that the examiner

- identify the specific one of the three grounds of form paragraphs 8.21.01 through 8.21.03 or .04 (depending on circumstances), and then
- “provide reasons and/or examples to support conclusions” of “unduly extensive and burdensome search,” for example, by “appropriate explanation of separate classification, or separate status in the art, or a different field of search.”

This showing of “reasons and/or examples” is absent from Examiner’s October 3, 2008 paper. The Examiner’s paper of October 3, 2008 gives a conclusory laundry list of possible grounds, without even identifying which of the five listed grounds applies, let alone identifying facts applicable to that ground, or the “show[ing] by appropriate explanation” required by MPEP § 808.02. Agency actions are void – that is, they have no legal existence – when an agency fails to make the showings required in the agency’s own procedural handbook.²¹ No restriction requirement exists.

The requirement of MPEP § 803(II) is merely a specific instance of the showing required by 5 U.S.C. § 555(e), the provision of the Administrative Procedure Act that governs written decisions of all agencies. § 555(e) requires the PTO to identify both the legal basis on which it acts, and the facts that support conclusions, and some application of the law to the facts.²² The statement of reasons must satisfy these criteria:²³

²⁰ *Tourus Records Inc. v. Drug Enforcement Admin.*, 259 F.3d 731, 737 (D.C. Cir. 2001) (applying 5 U.S.C. § 555(e) to an informal adjudication, citing *State Farm* 463 U.S. at 43).

²¹ *Service v. Dulles*, 354 U.S. 363, 388-89 (1957) (vacating agency action issued in violation of guidelines stated in an unpublished agency manual); *Reuters v. F.C.C.*, 781 F.2d 946, 950-51 (D.C. Cir. 1986) (“*Ad hoc* departures from [an agency’s] rules, even to achieve laudable aims, cannot be sanctioned”). An action taken in violation of “applicable departmental regulations” is “illegal and of no effect.” *Vitarelli v. Seaton*, 359 U.S. 535, 545 (1959); *IMS, P.C. v Alvarez*, 129 F.3d 618, 621 (D.C. Cir. 1997) (it is a “well-settled rule that an agency’s failure to follow its own regulations is fatal to the deviant action”); *Dodson v. Dept. of the Army*, 988 F.2d 1199, 1204 (Fed. Cir. 1993) (once an agency promulgates regulations, it is bound to follow them). Because the Office Action departs from PTO regulations, it is simply void.

²² *Motor Vehicle Mfrs. Ass’n v. State Farm Mutual Auto. Ins. Co.*, 463 U.S. 29, 48, 50 (1983) requires that an agency give an explanation for its action, The statement of reasons must satisfy these criteria:

A court must set aside agency action it finds to be "arbitrary, capricious, an abuse of discretion, or otherwise not in accordance with law," 5 U.S.C. § 706(2)(A). At a minimum, that standard requires the agency to "examine the relevant data and articulate a satisfactory explanation for its action including a 'rational connection between the facts found and the choice made.'" *Motor Vehicle Mfrs. Ass'n of United States, Inc. v. State Farm Mutual Auto. Ins. Co.*, 463 U.S. 29, 43 (1983) (quoting *Burlington Truck Lines, Inc. v. United States*, 371 U.S. 156, 168 (1962)).

The Examiner's paper merely lists five possible grounds (two of which are illegal, as discussed above), and invites Petitioner to read the Examiner's mind to determine which of the five might apply, and what facts might support that ground. The Examiner's October 3, 2008 paper makes no attempt whatsoever to provide any statement of the application of the law to the facts, or to

[A]n agency must cogently explain why it has exercised its discretion in a given manner. . .

A "fundamental" requirement of administrative law is that an agency "set forth its reasons" for decision; an agency's failure to do so constitutes arbitrary and capricious agency action. That fundamental requirement is codified in section 6(d) of the APA, 5 U.S.C. § 555(e). Section 6(d) mandates that whenever an agency denies "a written application, petition, or other request of an interested person made in connection with any agency proceeding," the agency must provide "a brief statement of the grounds for denial," unless the denial is "self-explanatory." This requirement not only ensures the agency's careful consideration of such requests, but also gives parties the opportunity to apprise the agency of any errors it may have made and, if the agency persists in its decision, facilitates judicial review. Although nothing more than a "brief statement" is necessary, the core requirement is that the agency explain "why it chose to do what it did."

See also *Harborlite Corp. v. Interstate Commerce Comm'n*, 613 F.2d 1088, 1092 (D.C. Cir. 1979) ("One basic procedural safeguard requires the administrative adjudicator, by written opinion, to state findings of fact and reasons that support its decision. These findings and reasons must be sufficient to reflect a considered response to the evidence and contentions of the losing party and to allow for a thoughtful judicial review if one is sought.").

²³ *Tourus Records Inc. v. Drug Enforcement Admin.*, 259 F.3d 731, 736-37 (D.C. Cir. 2001) (citations, quotations, and footnotes omitted); see also *Dr. Pepper/Seven-Up Companies Inc. v. Federal Trade Comm'n*, 991 F.2d 859, 864-65 (D.C. Cir. 1993) (agency's "conclusory dismissal" that failed to consider key evidence and a key claim was "wholly inadequate" and "leaves too many questions unanswered to qualify as reasoned decisionmaking"); *Moon v. U.S. Dep't of Labor*, 727 F.2d 1315, 1318 (D.C. Cir. 1984) ("To fulfill its function under any appropriate standard of review, however, a court must be able to ascertain the reasons for an agency's decision. We cannot determine whether an agency has acted correctly unless we are told what factors are important and why they are relevant. Therefore, an agency must provide a reasoned explanation for its actions and articulate with some clarity the standards that governed its decision."); *Arnold v. Sec'y of Health Educ. & Welfare*, 567 F.2d 258, 259 (4th Cir. 1977) ("Unless the [ALJ] has analyzed all evidence and has sufficiently explained the weight he has given to obviously probative exhibits, to say that his decision is supported by substantial evidence approaches an abdication of the court's duty to scrutinize the record as a whole to determine whether the conclusions reached are rational"), quoted in *Dante Coal Co. v. Director, Office of Workers' Compensation Programs*, 164 Fed. Appx. 338, ____ (4th Cir. 2006) (unpublished).

otherwise apprise Petitioner of the PTO's basis for decision. No agency can do this. The burden is *always* on the agency to identify the grounds on which it imposes a requirement, and to give some explanation for its action.

The October 2008 restriction requirement must be withdrawn. Examiner Subramanian should be instructed that any restriction requirement must include a specific showing, as required by MPEP § 803(I)(B), § 803(II) ¶ 4, and § 806.01.

I. The Requirement to Cancel Claims is Illegal, and Demonstrates Examiner Subramanian's Lack of Familiarity with PTO Restriction Procedure

The Examiner's paper of October 3, 2008, page 2 ¶ 1, states: "For the response to be complete, Applicants are respectfully requested to cancel the non-elected claims 28-30, 53-55 and 60-73 in their reply to this office action." **The Examiner has no authority to issue such a requirement.** Nowhere in the MPEP or any other published document does the PTO grant examiners the authority to make such requests. Rather, PTO rules give all applicants the right to have non-elected claims examined under the procedures of 37 C.F.R. § 1.142(b) and § 1.144. The Examiner has no authority to request that Petitioner abandon these procedural protections against examiner error.

Examiner deviation from MPEP procedures, creation of new "requirements" that have no support in the MPEP, and deprivation of applicants' substantial substantive and procedural rights, suggests that Examiner Subramanian is not familiar with PTO procedure relating to restriction practice, in this aspect or any other.

The entire restriction portion of the Examiner's October 3, 2008 paper reflects this lack of understanding. The restriction should be vacated, with instructions to Examiner Subramanian to examine the application in conformance with those MPEP procedures for which the PTO has laid the legal groundwork. Examiner Subramanian should be instructed that he does not have the authority to disregard the MPEP, or to impose grounds for restriction not stated in documents that have gone through all necessary rule making procedures.

II. Final Rejection is Premature—Prosecution Should be Reopened

Finality of the Examiner's paper of October 3, 2008 should be withdrawn. Petitioner should be given an opportunity to fully reply to the new positions stated for the first time in the

Examiners' October 2008 paper, and a new Office Action should be issued that reflects *bona fide* effort of the Office to advance prosecution.

A. Premature Final Rejection is Petitionable, Not Appealable

The issues raised, and the relief requested, confirm that this Petition is directed to petitionable subject matter. MPEP § 706.07(c) instructs as follows:

706.07(c) Final Rejection, Premature

Any question as to prematurity of a final rejection ... is purely a question of practice, wholly distinct from the tenability of the rejection. It may therefore not be advanced as a ground for appeal, or made the basis of complaint before the Board of Patent Appeals and Interferences. It is reviewable by petition under 37 C.F.R. 1.181. See MPEP § 1002.02(c).

A long string of decisions of the Board of Patent Appeals and Interferences concurs that premature finality is never appealable. *Ex parte Fine*, 217 USPQ 76, 79 (Bd. Pat. App. 1981) (precedential) ("We are likewise not concerned with the allegedly premature nature of the final rejection... This is an administrative matter subject to petition, not a substantive matter within our jurisdiction."); *Ex parte Secor*, <http://des.uspto.gov/Foia/RetrievePdf?system=BPAI&fInm=fd981052> (BPAI 2002) (unpublished) (premature final rejection "is reviewable by petition to the Director rather than by appeal to this Board.").

Finally, a precedential, published decision of the Commissioner of Patents and Trademarks (now the Director), holds that where the sole relief requested is reopening of prosecution – as in this petition – the issues are petitionable, *even if* they involve some consideration of the merits. *In re Oku*, 25 USPQ2d 1155, 1157 (Comm'r Pats and TM 1992) (emphasis supplied):

The designation of a new ground of rejection, while involving a consideration of the merits, also involves the important question of whether the Board followed PTO regulations established by the Commissioner....

A decision to reopen prosecution ... is a question solely within the discretion of the Commissioner and is in no way a review of a merits decision

B. This Petition is Timely After Reconsideration by the Examiner

Petitioner requested reconsideration of the finality issue in the Reply of March 4, 2009 (see pages 4-7). The Examiner's Advisory Action of May 5, 2009 maintains finality, but is *dead silent* on the issue, and fails to answer all material traversed.

C. Procedural History Relevant to Premature Final Rejection

On November 1, 2006, Examiner Chencinski issued a non-final paper. This action violated a number of procedural provisions of the MPEP, and invented new legal tests that have no grounding in any written document. Examiner Chencinski did not follow the MPEP, or any other guidance for examiners.

In emails and telephone conferences around this time, Petitioner drew the Office's attention to a number of errors in Examiner Chencinski's paper of November 1, 2006 that affected Petitioner's ability to reply. This is described in more detail in Petitioner's paper of May 1, 2007, at pages 42-43. Therefore, pursuant to MPEP § 710.06, Examiner Chencinski's paper of November 1, 2006 became void until it was remailed. The Examiner's paper of October 3, 2008 appears to be that remailing.

Petitioner filed a further amendment on May 1, 2007, amending the claims. This paper observed that the November 1, 2006 paper was withdrawn because of its procedural inadequacies. The PTO apparently does not dispute that Examiner Chencinski's paper of November 1, 2006 was inadequate to advance prosecution, and breached PTO procedures: the PTO removed Examiner Chencinski in the fall of 2007.

The Examiner mailed another paper on October 3, 2008. Under MPEP § 710.06, this is not a new Action, this is a remailing of the November 2006 Action, and should likewise be non-final. Also, as discussed in detail below, the Examiner's October 2008 paper omits consideration of required issues, and raises new grounds of rejection of unamended claims.

D. Final Rejection is Premature Because the Claims Have Not Been Examined

If the restriction requirement is withdrawn for any reason discussed in § I above, then the application as a whole has not been examined, and final rejection is premature.

E. Legal Standard for Final Rejection and Definition of the Term “New Ground of Rejection”

MPEP § 706.07(a) reads as follows, in pertinent part:

706.07(a) Final Rejection, When Proper on Second Action

[¶ 2] Under present practice, second or any subsequent actions on the merits shall be final, except where the examiner introduces a new ground of rejection that is [not] necessitated by applicant's amendment of the claims...

MPEP § 706.07(a) imposes two separate requirements before prosecution may be closed: (a) all requirements of “present practice” must be timely completed, and (b) no new ground of rejection may be raised, unless necessitated by amendment.

The MPEP, in turn, refers the reader to the case law for a definition of “new ground of rejection.” MPEP § 1207.03(III) (expressly deferring to the *Kronig* line of case law for the definition of the term “new ground”).

The legal term “new ground of rejection” is defined as any “position or rationale new to the proceedings” (including new evidence, citation to a new portion of existing evidence, a new inference drawn from an existing reference, a new legal theory, or a new application of law to facts).²⁴ A “ground of rejection” is “not merely the statutory requirement for patentability that a claim fails to meet but also the precise reason why the claim fails that requirement.”²⁵ A new factual finding or inference, or a new application of the law to the identical facts, is a “new ground of rejection.”²⁶ A new supporting position or rationale is a “new ground,” even if it is

²⁴ *In re DeBlauwe*, 736 F.2d 699, 706 n. 9, 222 USPQ 191, 197 n.9 (Fed. Cir. 1984) (“Where the board makes a decision advancing a position or rationale new to the proceedings, an applicant must be afforded an opportunity to respond to that position or rationale” to the full extent permitted by the relevant rule), *citing* 37 C.F.R. § 1.196(b); *In re Kronig*, 539 F.2d 1300, 1302-03, 190 USPQ 425, 426 (CCPA 1976), *citing In re Eynde*, 480 F.2d 1364, 1370-71, 178 USPQ 470, 474 (CCPA 1973) (“We do agree with appellants that where the board advances a position or rationale new to the proceedings... the appellant must be afforded an opportunity to respond to that position or rationale [to the full extent permitted by the relevant rule]. This court so held in *In re Moore*, [444 F.2d 572, 170 USPQ 260 (CCPA 1971)], and we expressly reaffirm that view. The board's refusal to consider evidence which responds to such a new rationale is error.”); *Ex parte Teeple*, Appeal No. 97-0943, 1997 WL 1883925 at *2-3, <http://des.uspto.gov/Foia/ReterivePdf?system=BPAI&fNm=fd970943> at 7, 9 (BPAI Feb. 17, 1998) (new explanation for § 112 ¶ 2 rejection of same claim language is “new ground” of rejection).

²⁵ *Hyatt v. Dudas*, 551 F.3d 1307, 1312-13, 89 USPQ2d 1465, 1468-69 (Fed. Cir. 2008) (rejecting the PTO's contention that “ground of rejection” is limited to “merely the statutory section”).

²⁶ *In re Moore*, 444 F.2d 572, 574-75, 170 USPQ 260, 263 (CCPA 1971) (any new “finding of a new fact,” even from the same reference, even solely in support of an alternative to the pre-existing rationale, requires that the applicant be given an opportunity to respond), *reaffirmed by Kronig*, 539 F.2d

simply offered to buttress a previous analysis or inference.²⁷ Any notion that a “new ground” requires a new reference or shift from one statutory section to another has been expressly rejected by the Federal Circuit, the CCPA, and by the Board, and is inconsistent with the plain language of MPEP § 706.07(a), which treats them as separate but overlapping concepts.²⁸

The Federal Circuit and CCPA have several times declined to create any exception for new grounds raised by an examiner in response to an applicant’s arguments – any new “position or rationale new to the proceedings” is a “new ground” that prevents final rejection, even if that new position or rationale is expressed by the PTO in response to a new argument from the applicant.²⁹

at 1303, 190 USPQ at 427; *see also In re Meyer*, 599 F.2d 1028, 1031, 202 USPQ 175, 179 (CCPA 1979) (holding that the Board’s § 102 rejection is a “new ground of rejection” even though based on the same art as the examiner’s § 103 rejection).

²⁷ *In re Kumar*, 418 F.3d 1361, 1367, 76 USPQ2d 1048, 1051 (Fed. Cir. 2005) (a new calculation applied to a reference is not “simply an additional explanation of the Board’s decision,” it is a new ground of rejection); *In re Waymouth*, 486 F.2d 1058, 1061, 179 USPQ 627, 629 (CCPA 1973) (“merely advanc[ing] ‘an additional reason’ for affirming the examiner” is a “new rejection”), *modified* 489 F.2d 1297, 180 USPQ 453 (CCPA 1974), *reaffirmed by Kronig*, 539 F.2d at 1303, 190 USPQ at 427.

²⁸ *In re Kumar*, 418 F.3d 1361, 1367, 76 USPQ2d 1048, 1051 (Fed. Cir. 2005); *In re Ahlert*, 424 F.2d 1088, 1098, 165 USPQ 418, 421 (CCPA 1970) (new facts based on an existing reference are a new ground of rejection, even if cast as “official notice”); *In re Bulina*, 362 F.2d 555, 558-59, 150 USPQ 110, 113 (CCPA 1966), *reaffirmed by Kronig*, 539 F.2d at 1303, 190 USPQ at 427; *In re Intine*, 162 USPQ 192, 192 (Comm’r of Patents 1969) (a shift from references A and B to references A, B and C, where C had previously been relied upon but not applied, prevented final rejection).

²⁹ *In re Kumar*, 418 F.3d 1361, 1367, 76 USPQ2d 1048, 1051-52 (Fed. Cir. 2005) (Board’s new analysis of the identical disclosure, by calculating new derived values from those expressly disclosed in the reference, was a “new ground”); *In re DeBlauwe*, 736 F.2d 699, 705-06, 222 USPQ 191, 196-197 (Fed. Cir. 1984) (when an applicant has argued a point, the examiner and Board are obligated to respond to those arguments, and their new response requires giving an applicant a new opportunity to respond):

... Appellants complain, however, that the PTO challenges their assertions of unexpected results for the first time in the Solicitor’s brief. ...

Despite appellants’ arguments throughout prosecution that heat shrinkable articles with the claimed expansion ratios overcome the longstanding splitting problem, the board and the examiner merely concluded that these ratios would have been obvious without properly responding to appellants’ allegations of unexpected results. ... if the board or the examiner had considered this point when the case was pending before them and had pointed out that there was no objective evidence of unexpected results, appellants would, at least, have had notice and would have had an opportunity to file objective evidence.⁹ Neither the board nor the examiner, however, gave such notice, and, therefore, appellants were led to believe, albeit erroneously, that they had satisfied their burden of going forward with objective evidence to rebut the prima facie case of obviousness. ... In view of the PTO’s failure to challenge the sufficiency of appellants’

An examiner's silence in an earlier paper can lead to a finding of a "new ground of rejection" if subsequent events make relevant any reply that an applicant would have raised had the examiner not been silent.³⁰

The Federal Circuit's interpretation of "ground of rejection" flows from the fact that the PTO "bears the initial burden ... of presenting a *prima facie* case of unpatentability"³¹

F. The October 2008 Paper Raises Three New Grounds of Rejection Under § 101

As noted in Petitioner's paper of February 2007, Examiner Chencinski's paper of November 1, 2006 mentioned § 101 and claims 1-118 under the "useful, concrete and tangible" test for patentable subject matter of *State Street*.

In contrast, the Examiner's paper of October 3, 2008 raises the following new grounds of rejection:

- A § 101 "utility" rejection at page 4. This is entirely separate from any "subject matter" issue raised previously.
- Examiner Subramanian asserts that "functional descriptive material, per se, is not statutory." (Examiner's paper of October 3, 2008, page 4, line 5.) This issue was not raised in Examiner Chencinski's paper of November 1, 2006. (Further, Examiner Subramanian's statement has no grounding in any written document – Examiner Subramanian is making up the law out of whole cloth.)

rebuttal evidence until this appeal, when appellants could no longer offer evidence, we conclude that it is necessary to vacate the board's decision... and to remand the case to afford appellants the opportunity to submit objective evidence of unexpected results.

⁹ Where the board makes a decision advancing a position or rationale new to the proceedings, an applicant must be afforded an opportunity to respond to that position or rationale by submission of contradicting evidence. *In re Eynde*, 480 F.2d 1364, 178 USPQ 470 (CCPA 1973). Accordingly, if the board or the examiner in this case had stated that there was no objective evidence, appellants would have been entitled to respond by filing such evidence.

³⁰ *Ex parte Mathur*, Appeal No. 95-4103, 1996 WL 1795838 at *9, <http://www.uspto.gov/go/dcom/bpai/decisions/fd954103.pdf> at 20-21 (BPAI June 26, 1996). See also quote from *In re DeBlauwe* in footnote 24.

³¹ *Hyatt v. Dudas*, 551 F.3d 1307, 1313, 89 USPQ2d 1465, 1469 (Fed. Cir. 2008); 35 U.S.C. § 102 (patent "shall" be granted, "unless" PTO establishes unpatentability); 37 C.F.R. §§ 1.104, 1.113 (actions must be "complete" and "clearly state" reasons); see also *In re Oetiker*, 977 F.2d 1443, 1449 (Fed. Cir. 1992) (Plager, J., concurring) ("The examiner cannot sit mum, leaving the applicant to shoot arrows into the dark hoping to somehow hit a secret objection harbored by the examiner.").

- “Physical transformation” is raised as a new issue for the first time at page 5, line 9, and page 7, lines 15-17.

Under the definition of new “ground of rejection” of *Hyatt v. Dudas*, each of these are new grounds of rejection not necessitated by amendment, requiring withdrawal of premature final rejection.

G. The Examiner’s Paper of October 3, 2008 Raises New Grounds of Rejection Under § 112 ¶ 2

Examiner Chencinski’s paper of November 1, 2006 raises a § 112 ¶ 2 issue as follows:

3. Claims 1-125 are rejected under 35 U.S.C. 112, second paragraph, as being indefinite for failing to particularly point out and distinctly claim the subject matter which applicant regards as the invention. The steps for originating a lease, analyzing a lease, and managing a lease, critical or essential to the practice of Applicant’s invention, are not recited in the claim(s). Omission of such steps in a method claim make the claim indefinite because it is unclear how to implement the steps of the invention.

Correction is required.

That is, the “precise ground” stated in Examiner Chencinski’s paper of November 1, 2006 was an “omitted essential element” ground, directed to MPEP § 2172.01, based on language that is **not** in the claim.

In contrast, Paragraph 3 Examiner Subramanian’s paper of October 3, 2008 reads as follows:

Independent claims 1, 2, 31, 74, 102, 130, 133, 140, 154, 161, and 179 recite the limitation “wherein at least some portion of the improvements lease is performed with assistance of a computer”. Independent claims 56, 93, 119, 158, and 172 recite the limitation “wherein at least some portion of the lease is performed with assistance of a computer”. Also independent claim 148 recites the limitation “wherein at least some portion of leasing the shorter-lived asset is performed with assistance of a computer”. Similarly independent claim 180 recites the limitation “wherein at least some portion of soliciting, originating, managing, or analyzing the improvements lease is performed with assistance of a computer”. Claim 181 recites the limitation “hardware and/or software designed to assist a tenant in entering an improvements lease”.

Firstly, it is not clear as to what portion of the lease is performed with assistance of a computer.

Secondly it is not clear as to what specific aspect of the lease is performed with assistance of a computer. Finally it is not clear as to what the Applicants mean by the limitation "performed with assistance of a computer". It is not clear what the term "assistance of a computer" entails. The metes and bounds of this limitation are unclear. In view of these reasons the scope of the claim is unclear. Similar reasoning applies for claims 148, and 180. Similarly in claim 181 it is

There are a number of "new grounds" here. Note that all of them are directed to language that **is** in the claims, not language that is **omitted** from the claims, as in Examiner Chencinski's paper of November 1, 2006:

- The "Firstly" ground, directed to "alternative language" is nowhere suggested in Examiner Chencinski's paper of November 1, 2006. This is a new ground of rejection of an unamended claim, and not necessitated by amendment.
- There is no mention of the claim language "assistance of a computer" in Examiner Chencinski's paper of November 1, 2006, let alone any rejection directed to it. This is a new ground of rejection of an unamended claim, and not necessitated by amendment.

These shifts of grounds are "new grounds of rejection" that prevent final rejection.

In the Office Action of October 3, 2008, Claims 1-27, 31-52, 56-59 and 74-181 were rejected for the first time under 35 U.S.C. 112, 2nd paragraph. This is a new ground of rejection for Claims 1-27, 31-52, 56-59 and 74-125 which were previously pending before the November 1, 2006 incomplete Office Action. The October 3, 2008 Office Action is the first Office Action on the merits in response to the paper filed May 1, 2007 requesting a complete Office Action under MPEP § 710.06. Since the Office Action of November 1, 2006 was not complete for all the reasons Applicant set forth in the papers filed February 26, 2007 and May 1, 2007 and incorporated in later filed papers, the Office Action of October 3, 2008 must be treated as the **first** action on the merits, not the second action on the merits. Thus, it is improper to make the October 3, 2008 Office Action final. The piece meal examination prior to the request for a complete office action filed May 1, 2007 can not be relied upon as a first action to make the October 3, 2008 Office Action final. Though the claims were amended in the May 1, 2007 paper, there was no complete first action prior to the amendments. Thus, the October 3, 2008 Action is not a second action. The rejection of Claims 1-27, 31-52, 56-59 and 74-125 under 35 U.S.C. 112, 2nd paragraph constitutes a new ground of rejection that was not necessitated by

Applicant's amendment of the claims following a proper first action. As such, the finality of the Office Action of October 3, 2008 is improper and should be withdrawn.

H. The Examiner's Paper of October 3, 2008 Illegally Relies on a PTO Document that, by PTO Written Rules, is Not to be Relied On

At pages 7-8, the Examiner's paper of October 3, 2008 relies on a non-precedential opinion, *Ex parte Bilski*, Appeal No. 2002-2257. This is illegal. The Administrative Procedure Act forbids agencies from citing non-precedential opinions against any party but the agency itself:

5 U.S.C. § 552. Public information; agency rules, opinions, orders.

(a)(2) . . . A final order, opinion, statement of policy, interpretation, or staff manual or instruction that affects a member of the public may be relied on, used, or cited as precedent by an agency against a party other than an agency only if—

(i) it has been indexed and either made available or published as provided by this paragraph; or

(ii) the party has actual and timely notice of the terms thereof.

In a Board decision by Pat Federico (the coauthor, along with Giles Rich, of the 1952 Patent Act), in which an examiner had cited a non-precedential decision, the Board observed that the prior unpublished decision could not be relied upon as binding authority for a decisions against an applicant.³²

The Board cautions that only precedential decisions are to be cited against applicants. The Board's Standard Operating Procedure No. 2³³ specifically contrasts "precedential" opinions that may be cited pursuant to § 552 (SOP § VI) from "Informative" opinions which are not precedential, and therefore may not be cited as precedent against applicants.

More troubling, at page 7, the Examiner's October 3, 2008 paper cites *Ex parte Lundgren*, 76 USPQ2d 1385 (BPAI 2005) and notes, correctly, that *Lundgren* is precedential.

³² *In re Vossen*, 155 USPQ 109, 110 (POBA 1967) (Federico, EIC). A minority of the Board still understands this principle. *Ex parte Jalett*, Appeal 2001-0421, <http://des.uspto.gov/Foia/RetrievePdf?system=BPAI&flNm=fd010421> at 23, 2006 WL 2523666 at *10 (BPAI Feb. 27, 2003) (non-precedential) (Garris, dissenting) ("The majority expressly characterizes *Ex parte Erlich* (which was authored by one of the majority panel members) as nonprecedential. By its very nature, a non-precedential opinion does not and cannot provide legal support for this rejection.")

³³ Board of Patent Appeals and Interferences, Standard Operating Procedure No. 2, Publication of opinions and binding precedent, revision 7 (March 23, 2008), <http://www.uspto.gov/web/offices/dcom/bpai/sop2.pdf>

The October 3, 2008 paper cites *Lundgren* for pages 1407-08. But – the October 3, 2008 paper does **not** indicate that pages 1407-08 are from the **dissent**, that is, a statement of what the law is **not**. If a party made this kind of baldly misleading representation to a court, the party would be sanctioned. Citing a dissenting opinion as if it is precedent is unethical conduct. It is an illegal act that requires that the Examiner's paper be vacated.

Because the § 101 portion of the Examiner's October 3, 2008 paper relies on a decision that may not be cited as precedent, the paper was issued outside the scope of the Examiner's authority. This paper must be withdrawn.

I. The Law Has Changed, so the PTO Must Reexamine the Application before Appeal Commences

After the date of the Examiner's paper of October 3, 2008, on October 30, 2008, the Federal Circuit issued its *en banc* decision in *In re Bilski*, 545 F.3d 943, 88 USPQ2d 1385 (Fed. Cir. 2008). *Bilski* largely abrogated the law set forth in the Examiner's October 3, 2008 paper.

MPEP 706.07 entitled Final Rejection states:

Before final rejection is in order **a clear issue** should be developed between the examiner and applicant.

The examiner should never lose sight of the fact that in every case the applicant is entitled to a **full and fair hearing**, and that a clear issue between applicant and examiner should be developed, if possible, before appeal.
(Emphasis added).

In the Office Action of October 3, 2008, Claims 1-27, 31-52, 56-59 and 74-181 were rejected under 35 U.S.C. 101 as directed to non-statutory subject matter. Claim 181 was rejected as inoperative and lacking utility, reference being made to the issue of statutory subject matter. On October 30, 2008, after the Office Action was issued, the Federal Circuit released an opinion in *In re Bilski*, 545 F.3d 943 (Fed. Cir. 2008) regarding the law on statutory subject matter. Therefore, the Office Action and the rejections under 35 U.S.C. 101 rely upon an old and out of date statement of law. It is almost senseless for Applicant to have to address the rejections since they include improper statements of law. A **clear issue** can not have been reached as Applicant has no way of knowing what the position of the Office will be regarding the claims under the

new and proper statement of law. Applicant has not had a **full and fair hearing of the claims under the proper statement of law**. Thus, the best course of action is for finality of the Office Action to be withdrawn so the Applicant and examiner can discuss the claims applying the proper statement of law. It is requested that the finality of the Office Action be withdrawn.

At the very least, the application must be reexamined under the new *Bilski* legal standard, so that appeal may proceed on a reasonable footing. Because entirely new reasoning will be required for any rejection, any future § 101 rejections will be “new grounds not necessitated by amendment.”

J. This is Only an MPEP § 710.06 Remailing of Examiner Chencinski’s Paper of November 1, 2006, So it Cannot be Made Final

MPEP § 710.06 reads, in pertinent part:

710.06 Situations When Reply Period Is Reset or Restarted

Where the citation of a reference is incorrect or an Office action contains some other error that affects applicant's ability to reply to the Office action and this error is called to the attention of the Office ... If the error is brought to the attention of the Office within the period for reply set in the Office action but more than 1 month after the date of the Office action, the Office will set a new period for reply, if requested to do so by the applicant, to substantially equal the time remaining in the reply period.

...

A supplementary action after a rejection explaining the references more explicitly or giving the reasons more fully, even though no further references are cited, establishes a new date from which the statutory period runs.

Examiner Chencinski’s paper of November 1, 2006 was withdrawn pursuant to MPEP § 710.06, as explained more fully in Petitioner’s paper of May 1, 2007, at pages 42-43. Since the Examiner’s paper of October 3, 2008 is merely a remailing of the November 2006 paper, which itself was non-final, the Examiner’s paper of October 3, 2008 is properly non-final.

III. Authorization for Email Communication and Conclusion

Petitioner hereby authorizes the USPTO to communicate with any authorized representative concerning this application by electronic mail.

The requirement for division should be vacated. The Examiner should be instructed that he is to examine the application in conformance with those provisions of the MPEP for which the

PTO has obtained full legal clearance. If any restriction is to be raised, it must be raised within those bounds.

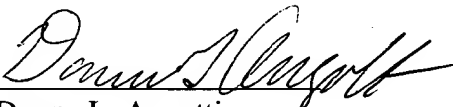
Finality of the Examiner's paper of October 3, 2008 should be withdrawn. Petitioner should be permitted to fully reply to the new grounds of rejection raised in Examiner's paper of October 3, 2008

In the event that any extension of time is required, Petitioner petitions for that extension of time required to make this reply timely. Kindly charge any additional fee, or credit any surplus, to Deposit Account No. 50-3219, Order No. 1906-3-Pole.

Respectfully submitted,

LAW OFFICES OF DONNA L. ANGOTTI

Dated: July 6, 2009

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